



Third Taxing District

Report to Electors

Annual Meeting, March 2, 2005

David L. Brown, Commission Chairman

Stephen Feinstein, Commissioner

Paul S. Coggin, Commissioner

George E. Leary, Electrical Department General Manager

John Stoops, District Treasurer

Ronald Scofield, District Clerk

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*Thank you for
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<u>Your Elected Officials</u>	<u>Role</u>	<u>Elected</u>	<u>Term Expires</u>	<u>Duration</u>
David L. Brown	Commissioner	November 1997 November 2003	November 2003 November 2009	6 Years
Stephen Feinstein	Commissioner	November 1999	November 2005	6 Years
Paul S. Coggin	Commissioner	November 2001	November 2007	6 Years
John Stoops	Treasurer	November 2003	November 2005	2 Years

Our telephone numbers are on the bills. Please feel free to contact us any time.

We also want to thank those who are helping with this meeting, including those at the door, the Electrical Department's employees, St. Thomas the Apostle Church, among others.



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The Big Picture

(Paul Coggin – 3 minutes)

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The Big Picture



Electrical Department

- ☐ Major regulatory changes
- ☐ Increases in costs
- ☐ Rate increase
- ☐ Distributed Generation Project (Norden)
- ☐ Achieved overall financial stability
- ☐ Continuing to maintain/invest in infrastructure

District & Community Activities

- ☐ Supporting District properties & public activities (library, street lighting, properties & mini-parks)
- ☐ Details to follow



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TTD Electric Intro:

***An Evolving & More-Costly Electrical
Utility Marketplace***

(Paul Coggin)

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Regulatory Layers & Complexity



Multiple Layers & Parties

- ☐ **FERC – Federal Energy Regulatory Commission**
- ☐ **ISO – Independent System Operator**
- ☐ **RTO – Regional Transmission Organization = ISO**
- ☐ **CMEEC – Connecticut Municipal Electric Energy Co-op**
- ☐ **DPUC – Department of Public Utility Control**
- ☐ **Market Zones**

Separation / Unbundling of Cost Components

- ☐ **Generation**
- ☐ **Transmission**
- ☐ **Distribution**
- ☐ **Load Marketplace**
- ☐ **Generation Marketplace**

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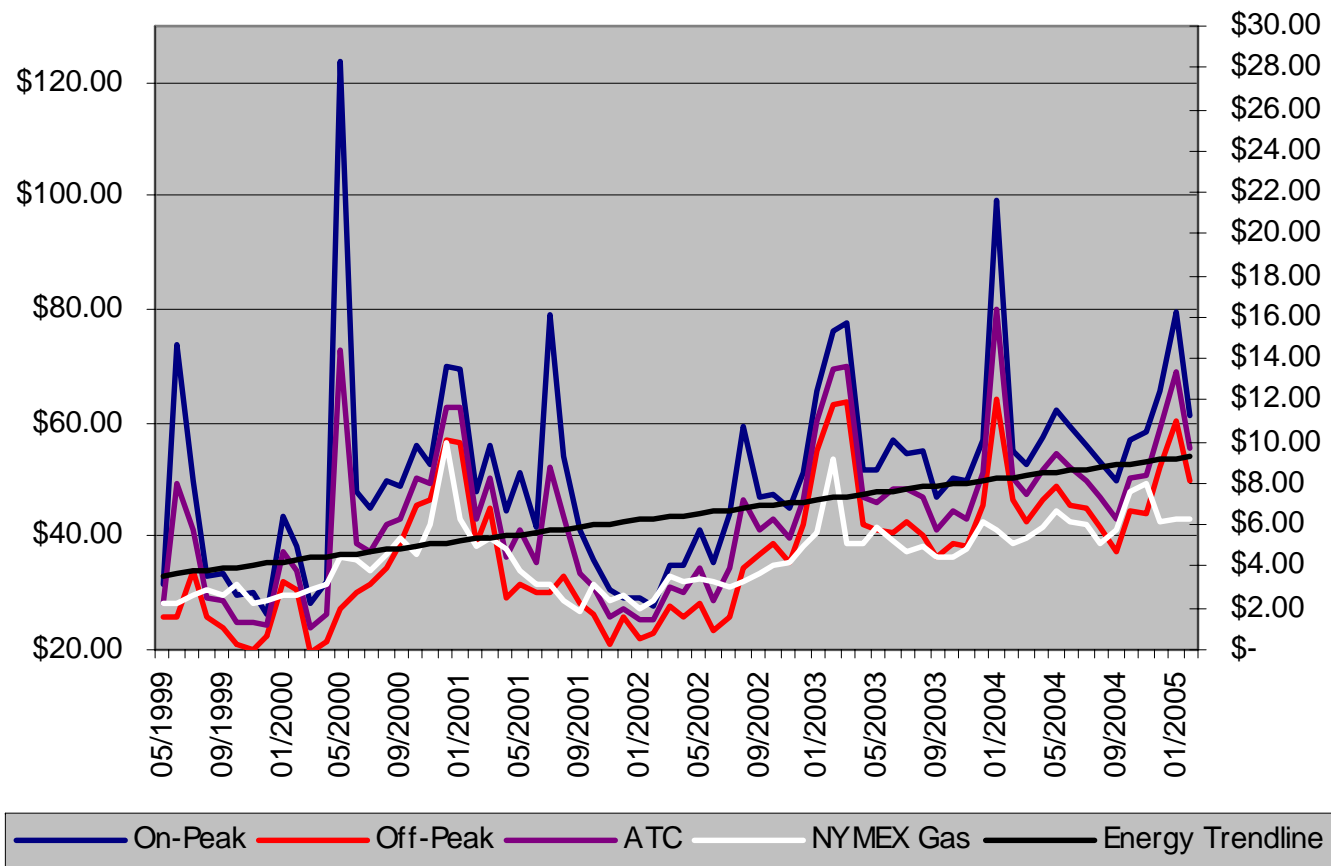
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New England Energy Costs



History of Spot Energy Prices



Transmission is priced separately

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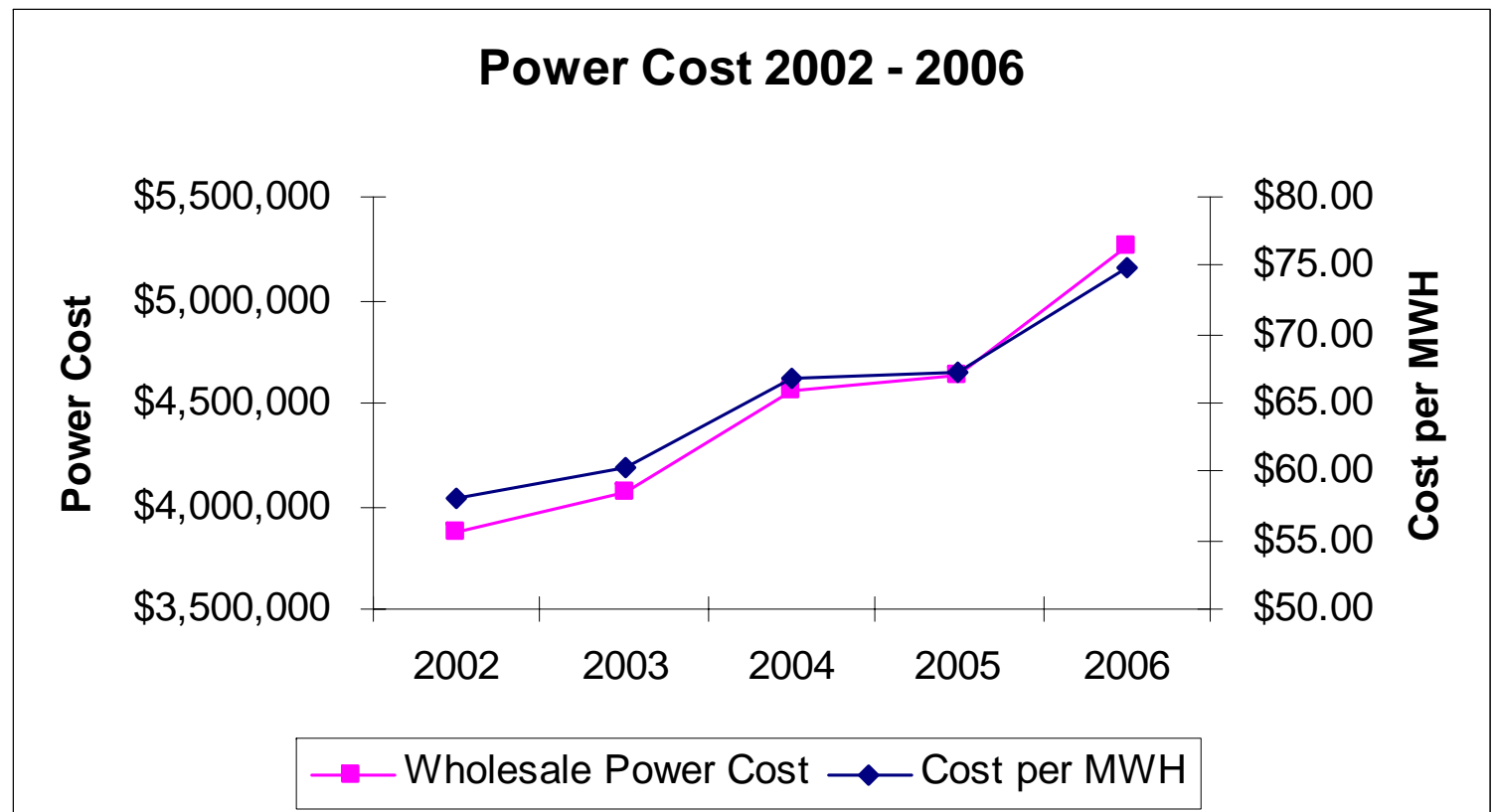
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Historical Annual TTD Power Costs



Power costs fluctuate.

Power costs have shown a trend to increase.



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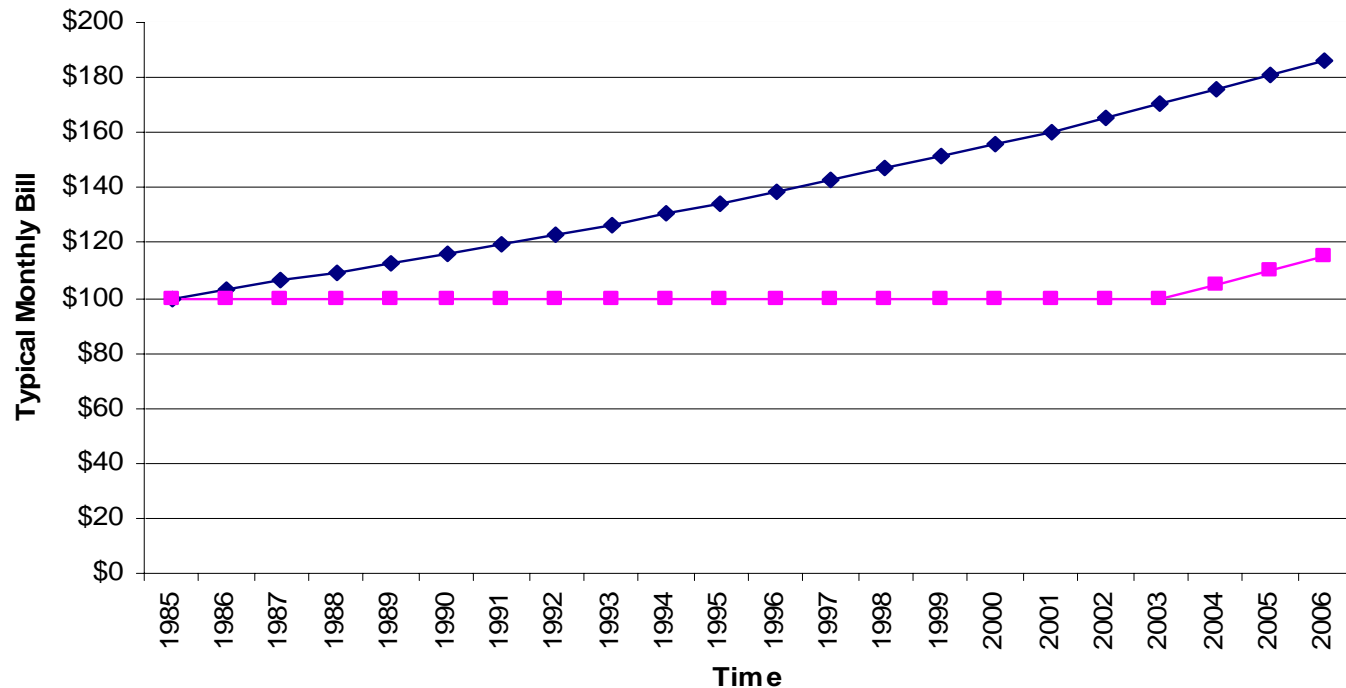
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TTD Retail Rates versus Inflation



Actual vs. Inflation



Using 3.0% annual CPI figures, the savings amounts to 70% in 2003.

On a cumulative basis, customers have enjoyed substantial savings.

However, in 2004 we had to take meaningful action to adjust prices higher to reflect the increases in the cost of energy.

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Representative Quotes



"Upsetting a Federal Ruling is a longshot, to be sure; still it's one that must be taken."

Hour Editorial 1/18/05

"The Administration says it will propose legislation to force the federal power marketing administrations to increase their rates for electricity. The administration proposes to increase PMA rates by 20% each year."

Public Power Weekly, February 14, 2005

"Connecticut is actively appealing FERC's preliminary ruling, thanks to the Connecticut Department of Public Utility Control and the Office of Consumer Counsel, among others."

Governor Rell

The North American Electric Reliability Council adopted new reliability standards, effective April 1, 2005.

"Competition has not lowered US industrial electricity prices."

Carnegie Mellon Electricity Industry Center



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External Forces on Electric Department (George Leary)

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Regulatory Environment



- ❑ **FERC pushing Standard Market Design (SMD)**
- ❑ **New England is being used as test area**
- ❑ **Locational Marginal Pricing (LMP) – Two CT zones**
- ❑ **Reliability must run**
- ❑ **Transmission and/or generation are needed**

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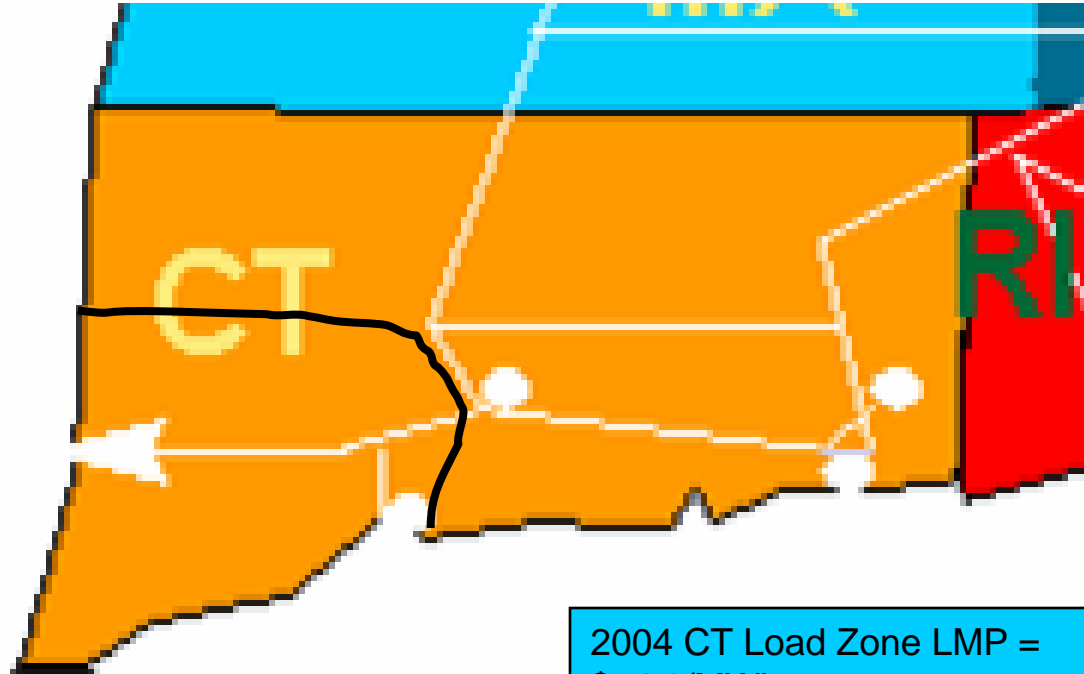
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Changes in NE Electric System - Zones within CT



2004 CT Load Zone LMP =
\$54.9/MWh
2004 Congestion CT Overall =
\$23,454,000
2004 Congestion SW CT =
\$24,412,000
2004 Calendar Year

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Transmission Investment



- ☐ **Existing transmission investment in New England**
 - **\$1.5 – 2 Billion**
- ☐ **New transmission investment in SWCT**
 - **\$1.3 Billion**
- ☐ **Who will pay for new investment?**
 - **All of New England**
 - **SWCT**
- ☐ **Who will pay for extra cost of underground transmission?**

Fuel Costs and Generation Capacity



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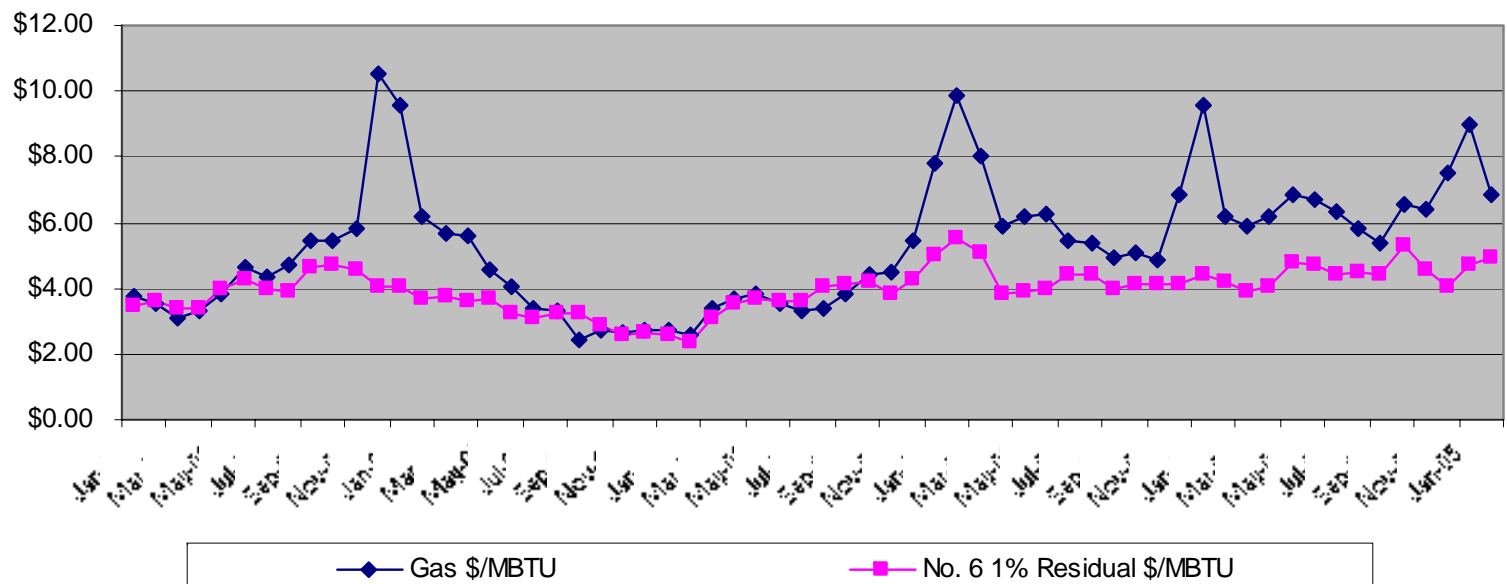
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Fuel Prices



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Southwest Connecticut Capacity



- ❑ **ISO-New England projects capacity and loads for CT**
- ❑ **SWCT very tight / shortages until new transmission line 2008-2011**
- ❑ **Reliance on emergency generation / no retirement – 2008-2011**
- ❑ **Relatively little new generation planned for SWCT**
- ❑ **800 MW of new generation planned for rest of CT**
- ❑ **40% of fossil generation in SWCT is greater than 30 yrs. old**

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TTD and CMEEC Actions



- ☐ **Working together regionally and nationally to represent customer interests**
- ☐ **Our Cooperative (CMEEC) at ISO level**
- ☐ **Our Cooperative (CMEEC) and National Association (APPA) at FERC and Congress**
 - **Lobbied Congress February 9 & 10, 2005**
- ☐ **TTD is participating in ISO programs**

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Partners & Affiliations



There are 2,010 public power
utilities in the US - APPA



NEPPA

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Pending Legal Items



- ☐ **Regional Transmission Rate of Return - FERC**
- ☐ **Locational Installed Capacity – FERC & Court**
- ☐ **Reliability Must Run – FERC**
- ☐ **Special Case Nodal Pricing - FERC**

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TTD Actions



- ☐ **Load Shed Project (in partnership with City of Norwalk)**
 - Income to City over 4 years \$378,000
 - Income to TTD over 4 years \$79,000

- ☐ **Generation Project at Norden Park**
 - Total net income to TTD over 4 years approximately \$1.3 million

- ☐ **Emergency operation only, & only during weekdays daytime**

- ☐ **Conservation Programs**
 - Cool Sentry (central air conditioners)
 - Compact fluorescent lamps

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What Can You Do?



☐ **Conserve**

☐ **Contact State Elected Officials**

☐ **Contact Federal Elected Officials**

- **Ask that they oppose the FERC experimentation with the New England electricity markets – particularly locational pricing.**



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(George Leary)

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Electric Department Accomplishments



Completed or In Progress:

- ☐ **Load Shed Project**
- ☐ **Norden Emergency Generation**
- ☐ **DPUC Report Filing**
- ☐ **Vehicle Replacements**
- ☐ **Substation & Property Repairs**

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Emergency Load-Shed Project



Emergency Norden Generation Project



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Emergency Norden Generation Project (2)



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Emergency Norden Generation Project (3)



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Emergency Norden Generation Project (4)



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Financial Updates

(George Leary)

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Residential Rate



	Consumption	
	500 KWH	1000 KWH
2004 TTD customer cost	\$54.80	\$102.80
2005 TTD customer cost	\$61.80	\$116.80

☐ 2005 rate is 12 % below CL&P

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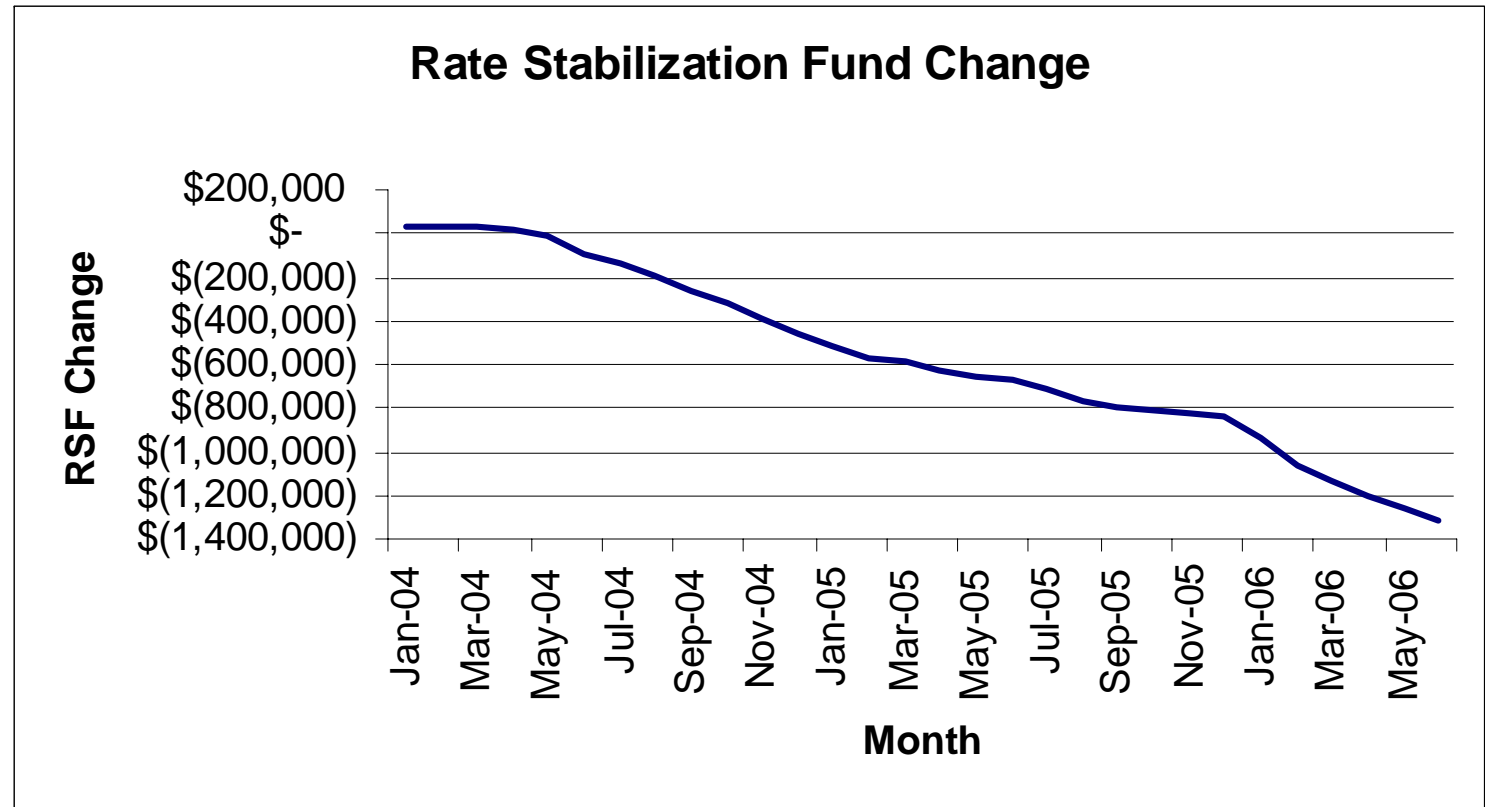
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Rate Stabilization Fund Changes 2004 – 2006



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Electrical Department Balance Sheet



Item	June 30, 2004	June 30, 2003
Assets		
Current Assets	\$5,234,844	\$5,428,711
Net Utility Plant	\$2,501,033	\$2,417,379
Other Assets	\$3,512,866	\$3,480,904
Liabilities and Capital		
Current Liabilities	\$831,426	\$825,192
Retained Earnings	\$7,275,579	\$7,395,642

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Electric Department Income Statement



Income	2003-2004	2002-2003
Service Revenues	\$6,755,343	\$6,739,131
Purchased Power Cost	\$4,215,963	\$4,213,996
Gross Service Income	\$2,466,709	\$2,525,135
Operating Expenses	\$2,606,709	\$2,352,811
Net Service Income	\$72,671	\$172,324
Other Income (Expense)	\$33,091	\$141,409
Net Income	\$105,762	\$314,228



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Operational Updates

(George Leary)

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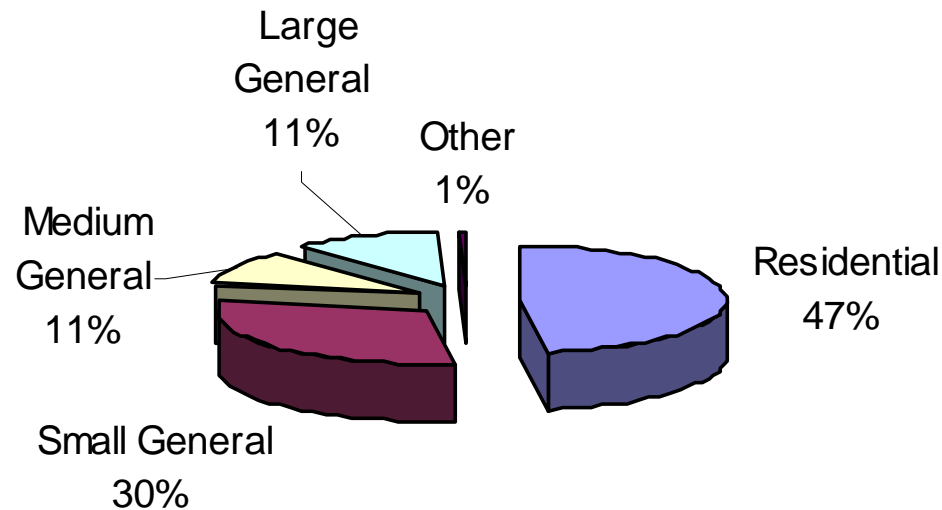
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2004 Energy Sales by Class - \$



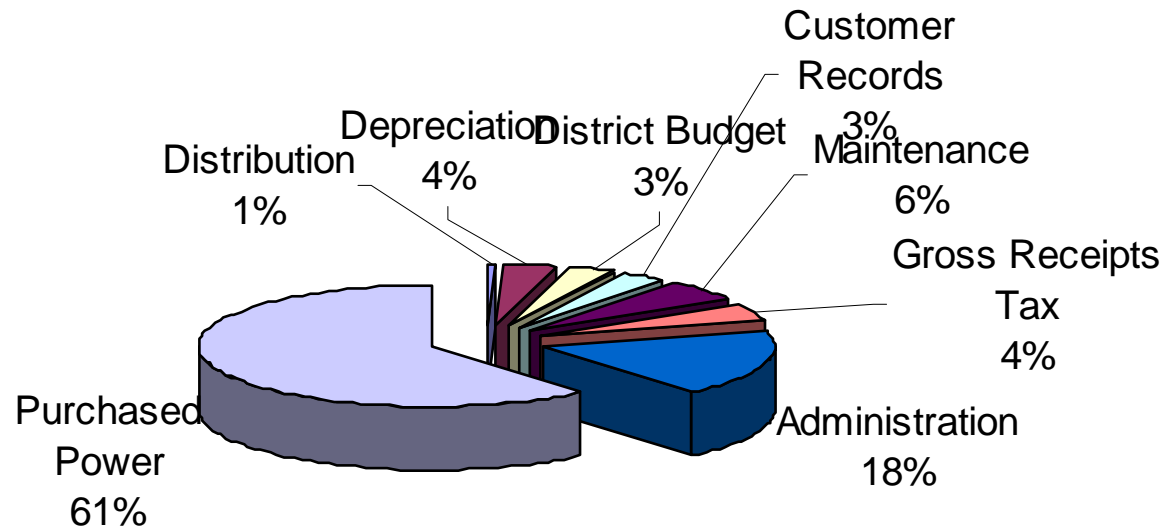
YTD Energy Sales



2004 Expenses



2004 Expenses



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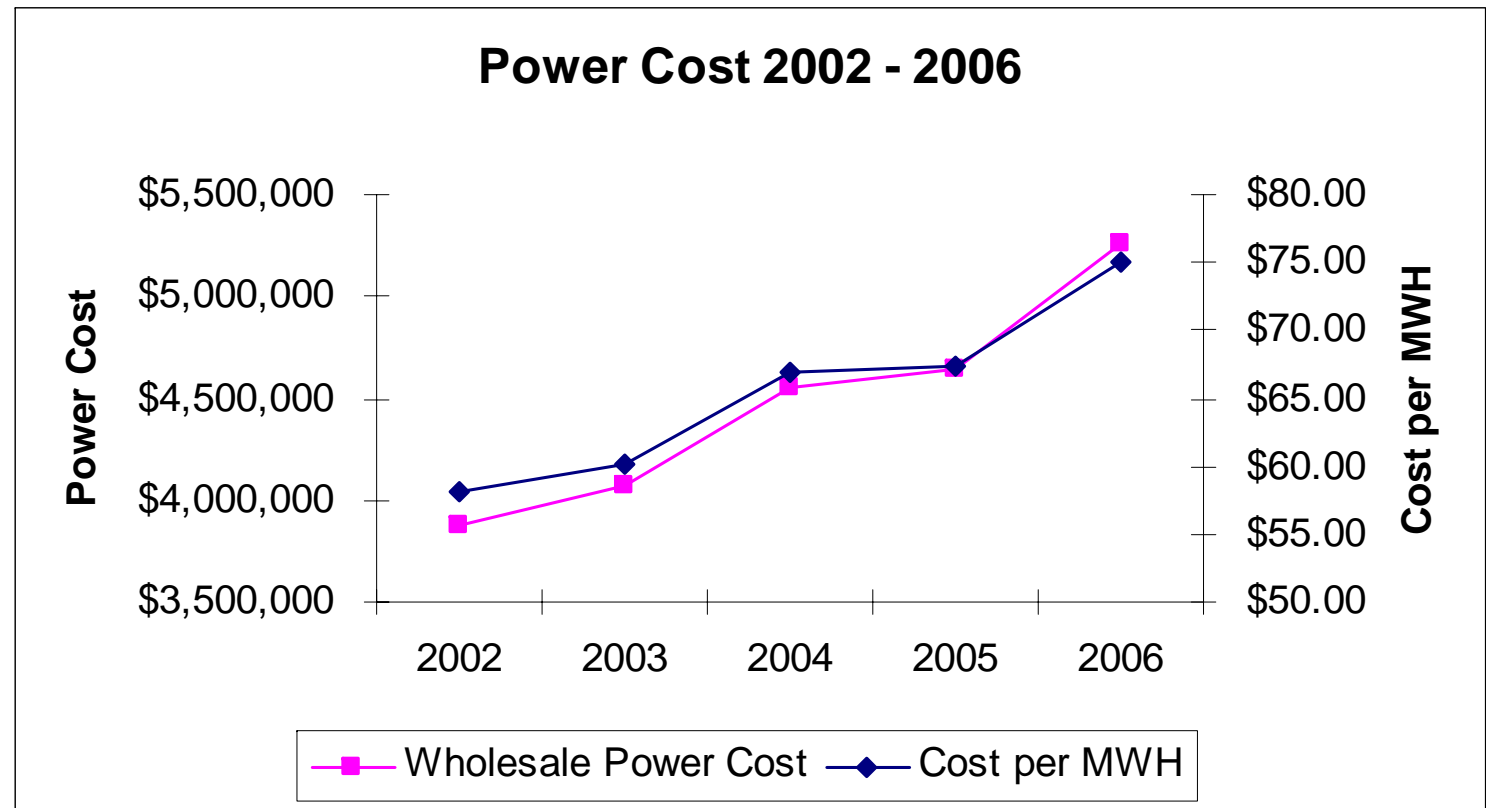
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TTD Power Costs (Annual, 2002-2005)



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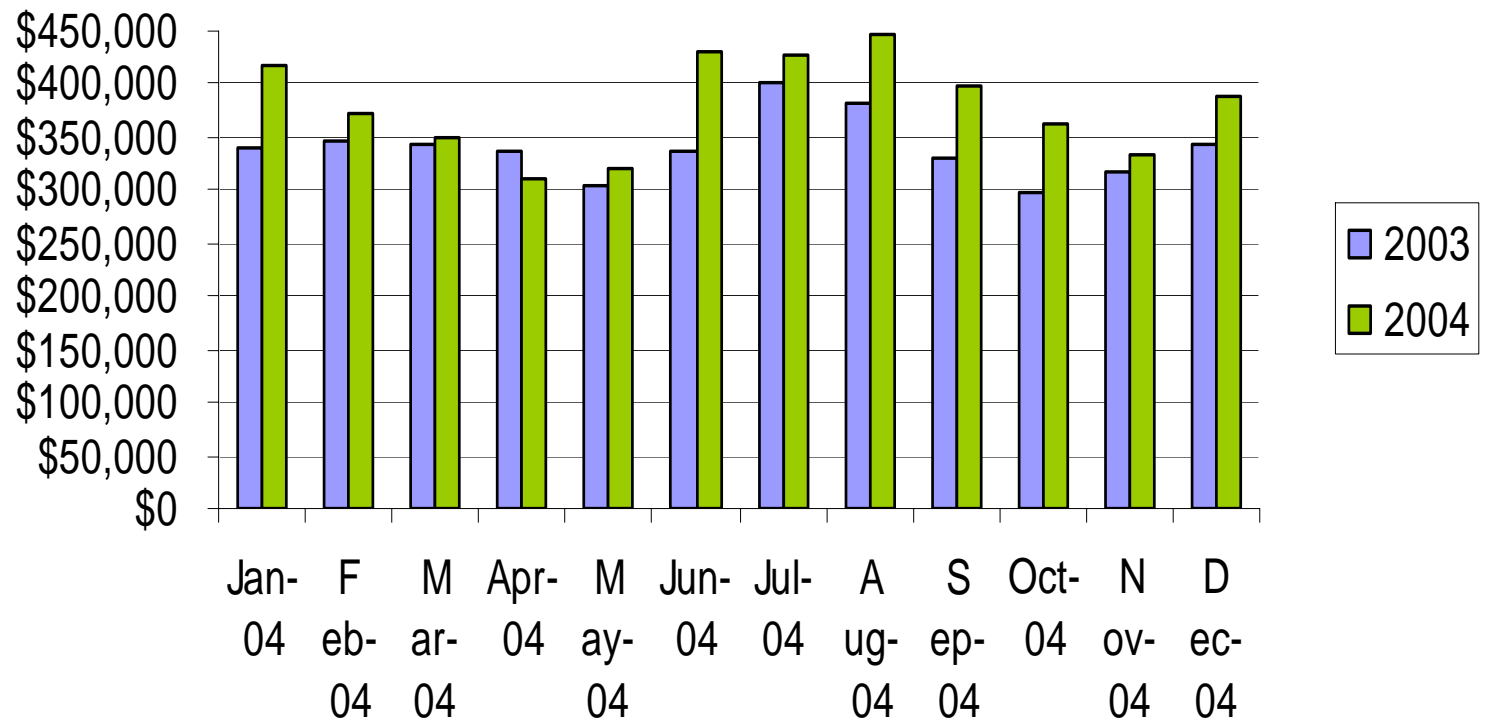
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TTD Power Costs (Monthly, 2003-2004)



2003 - 2004
Power Cost





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Financial Governance of Municipal Electric Companies



Municipal Electric Companies like TTD Electric are subject to CGL Section 7-222

- ❑ Establishes minimum threshold for depreciation expense
 - Must be at least 5% of plant cost
- ❑ Establishes a profit corridor
 - Must be at least 5%, but no greater than 8%, of plant cost
- ❑ Rationale behind these regulations:
 - “To encourage regular and continuing investments back into the plant infrastructure, and to direct an appropriate level of net earnings back into the community that the utility serves.”
 - In the case of for-profit (i.e., investor-owned utilities) such as CL&P, any earnings are directed to the shareholders.

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This Year, TTD Will Meet the Requirements



Performance against depreciation requirement

<u>Period (Year Ended June 30)</u>	<u>Plant Cost</u>	<u>Depreciation</u>	<u>Depreciation as Fraction of Plant Cost</u>	<u>Depreciation Meets 5% Minimum?</u>
1996-1997	\$5,325,566	\$251,780	4.7%	No
1997-1998	\$5,374,475	\$259,698	4.8%	No
1998-1999	\$5,584,168	\$349,428	6.3%	Yes
1999-2000	\$5,770,106	\$304,375	5.3%	Yes
2000-2001	\$6,040,727	\$253,214	4.2%	No
2001-2002	\$6,215,874	\$179,954	2.9%	No
2002-2003	\$5,913,799	\$259,736	4.4%	No
2003-2004	\$6032,948	\$249,462	4.1%	No
2004-2005	\$7,892,848	\$553,673	7.0%	Yes

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This Year, TTD Electric Will Meet the Requirements (cont'd)



Performance against earnings requirement

<u>Period (Year Ended June 30)</u>	<u>Plant Cost</u>	<u>Electric Company Earnings (loss)</u>	<u>Earnings as Fraction of Plant Cost</u>	<u>Earnings Fall within 5% to 8% of Plant Cost?</u>
1996-1997	\$5,325,566	\$675,000	12.7%	No
1997-1998	\$5,374,475	\$454,000	8.4%	No
1998-1999	\$5,584,168	\$205,000	3.7%	No
1999-2000	\$5,770,106	(\$69,000)	-1.2%	No
2000-2001	\$6,040,727	\$437,203	7.2%	Yes
2001-2002	\$6,215,874	\$362,810	5.8%	Yes
2002-2003	\$5,913,799	\$314,228	5.3%	Yes
2003-2004	\$6,032,948	\$105,762	1.8%	No
2004-2005	\$7,892,848	\$448,671	5.7%	Yes

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coming this evening*

Why Has Performance Varied?



The biggest factors that drive P&L are:

- ❑ Costs of power purchased
- ❑ Operating expenses
- ❑ Retail rates charged to TTD Electric customers

- ❑ Power costs have fluctuated considerably from month to month and year to year. On top of that, the trend is for higher power costs:
 - Have risen a total of 39% over the past 5 years
 - Approximately 8% annual rate

- ❑ Operating costs have risen, for example:
 - Contractual wage increases
 - Inflationary increases in supplies, vehicles and equipment

- ❑ The Commission has been committed to holding the line on rates:
 - Retail rates had remained constant for 18 years.
 - Using average annual CPI figures to adjust for inflation, rates charged have decreased 70% since 1985.

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What Are We Doing About It?



Electric Department Revenues

- ❑ Exploring additional sources of revenues from special programs:
 - We will earn \$1,300,000 over the next three years from the Norden Generators.
 - There may be other opportunities for the installation of generation.
- ❑ Revenue growth from “regular” sources will be only modest, at best, and therefore won’t provide relief
 - Population and industrial growth in East Norwalk is limited

Electrical Department Expenses

- ❑ Exploring & implementing ways to reduce operating expenses, for example:
 - Managing/reducing overtime
 - Stricter purchasing policy



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Electric Department

Upcoming Initiatives

(George Leary)

District Office



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215 East Avenue



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Solar Demonstration



Other types of light installations include tasteful canopies at schools (for picnic areas, for example), parking areas and mass transit waiting areas.

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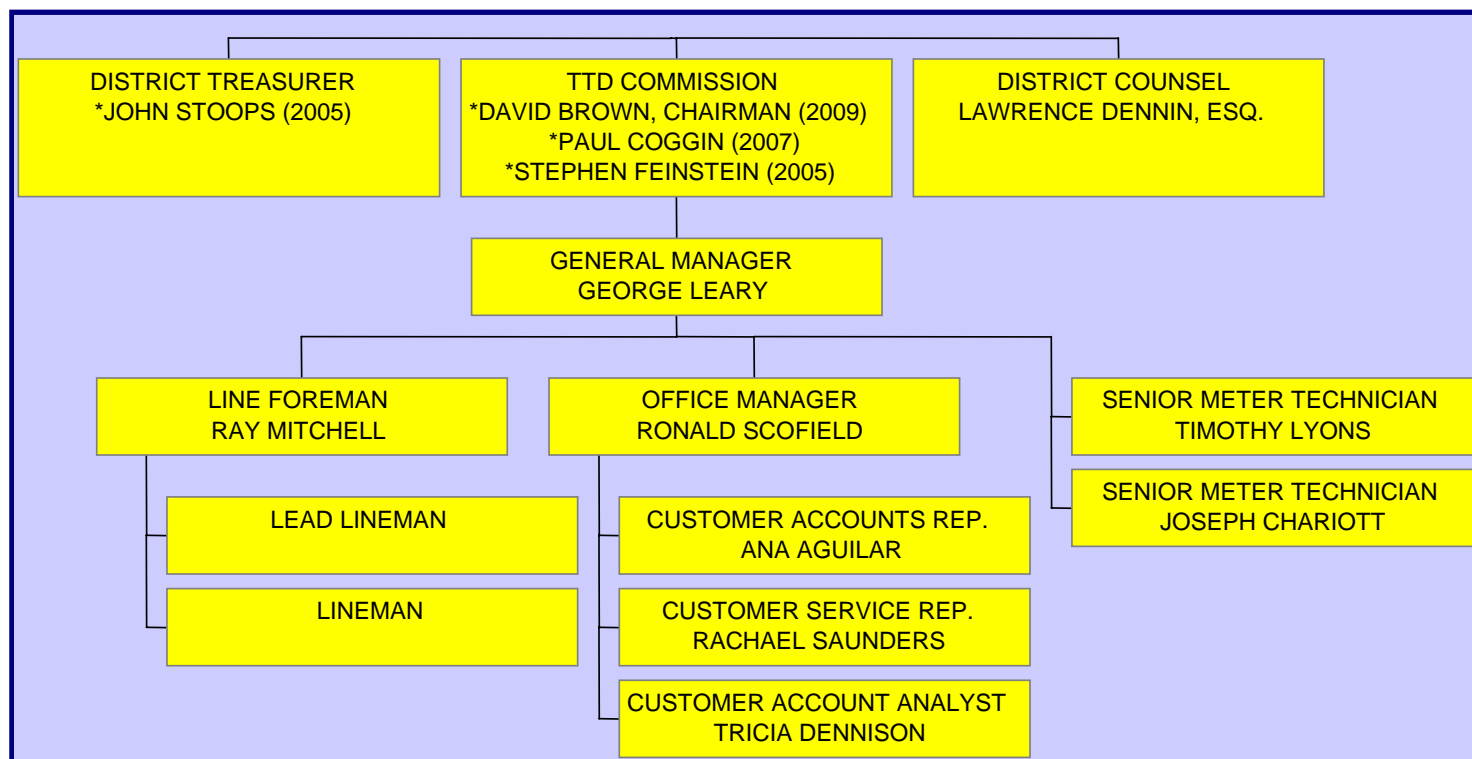
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Organization Chart



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District & Electric Department Initiatives



Upcoming:

- ☐ **Exploration of lighting/curbing/sidewalks at or adjacent to TTD Electric & District properties**
- ☐ **Improvements to office building**
- ☐ **Solar demonstration**
- ☐ **Substation improvements**
- ☐ **Security upgrades**
- ☐ **Staffing update**



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District Activities

(Paul Coggin)

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District Initiatives



Completed or in Progress:

- ☐ **Continue to support East Norwalk Improvement Association Library**
- ☐ **Major tree trimming within Historical Cemetery**
- ☐ **Improvements to website**
 - **Newsletters**
 - **Agendas of meetings in advance**
 - **Minutes of prior meetings**
- ☐ **Concerts**
- ☐ **Metro-North Billboards Removal**
- ☐ **Exploration of Grant Application Process – put on hold pending charter revision**

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District Initiatives



Upcoming:

- ☐ **Exploration of lighting/curbing/sidewalks at or adjacent to District properties**
- ☐ **Capital improvements to Firehouse building**
- ☐ **Improvements to Historical Cemetery (headstone repair, signage, gates)**
- ☐ **Basic improvements to Library building and grounds**
- ☐ **Solar demonstration (Electric Dept & perhaps w/City)**

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Old DOT Fence @ Constitution Park



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Old DOT Fence @ Constitution Park



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Constitution Park After Cleanup



Library



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Library Parking Lot Lights



Firehouse



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Firehouse Side Yard Retaining Wall



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Fitch Park / Triangle Curbing



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Fitch Park / Triangle Curbing



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Deteriorating Curbing / Sidewalk



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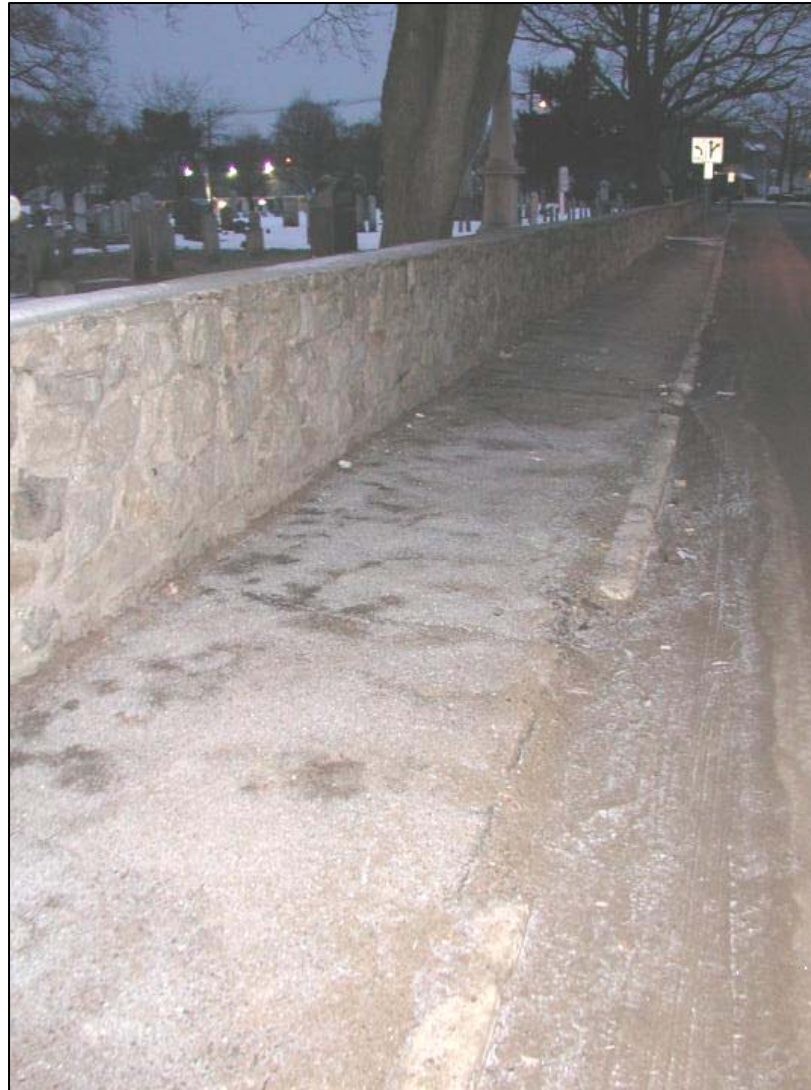
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Deteriorating Curbing / Sidewalk



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Cemetery Curbing / Sidewalks (Lighting)



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Cemetery Entrance



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Cemetery Tree Trimming & Cleanup



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Cemetery Restoration Needed



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Flags on East Avenue



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Concerts in the Park





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District Budget

(Paul Coggin)

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District Budget Snapshot



<u>Item</u>	<u>Approved 2003-2004</u>	<u>Actual 2003-2004</u>	<u>Approved 2004-2005</u>	<u>Estimate 2004-2005</u>	<u>Presented 2005-2006</u>
Total	<u>\$232,425</u>	<u>\$225,865</u>	<u>\$215,900</u>	<u>\$207,232</u>	<u>\$319,000</u>
General	\$72,800	\$61,982	\$76,400	\$68,696	\$169,000
Cemetery	\$9,000	\$13,258	\$12,500	\$11,536	\$20,000
Library/ENIA	\$150,625	\$150,625	\$127,000	\$127,000	\$130,000

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District Budget Details



<u>Item</u>	<u>Approved 2003-2004</u>	<u>Actual 2003-2004</u>	<u>Approved 2004-2005</u>	<u>Estimate 2004-2005</u>	<u>Presented 2005-2006</u>
Total	<u>\$232,425</u>	<u>\$225,865</u>	<u>\$215,900</u>	<u>\$239,062</u>	<u>\$319,000</u>
Stipends	9,600	9,600	9,600	9,600	9,600
Parks	20,000	15,796	20,000	23,500	20,000
Holiday Events	3,500	4,778	4,800	5,400	4,000
Concerts	7,500	8,527	4,000	1,872	6,500
Newsletter	1,200	0	4,000	4,000	4,000
Meeting	1,000	5,451	2,000	2,750	2,900
Legal	15,000	2,004	10,000	3,000	8,000
Firehse Maint.	12,000	13,302	10,000	15,544	6,000
Firehse Cap.	0	0	0	0	46,000
51 VZ Maint.	0	0	0	1,520	6,500
51 VZ Cap.	0	0	7,000	0	6,500
Cemetery	9,000	13,258	12,500	11,536	20,000
Improvements	0	0	0	0	50,000
Contingency	3,000	2,524	5,000	1,510	5,000
ENIA Library	150,625	150,625	127,000	127,000	130,000

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How Budget Will be Funded



Governed by District Charter

Charter says two things

- ❑ **Can use only those funds that are “available”:**
 - **Excess of any and all debts**
 - **Excess of all reserves for capital**

- ❑ **Funds must be used for specific purposes:**
 - **East Norwalk Improvement Association Library operations**
 - **District properties including mini-parks, library building and firehouse**
 - **Historical cemetery**
 - **Salaries of District officials**
 - **Public street lighting**

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Funds Availability – Plus Column



<u>Item</u>	<u>As of June 30</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Plus Column					
Cash	\$1,966,883	\$1,892,072	\$1,745,000	\$2,083,406	\$2,221,822
Negotiable Securities	\$2,143,375	\$2,270,124	\$2,300,000	\$2,153,567	\$2,138,674
EDF Held by CMEEC	\$236,250	\$248,584	\$289,842	\$329,369	\$82,571
RSF Held by CMEEC	\$2,303,475	\$2,877,416	\$3,106,160	\$3,141,738	\$3,140,501
<u>Subtotal</u>	<u>\$6,649,983</u>	<u>\$7,288,196</u>	<u>\$7,441,002</u>	<u>\$7,708,080</u>	<u>\$7,583,568</u>

The cash position of the District and Electrical Department has improved considerably during the past several years.

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Funds Availability – Minus Column



<u>Item</u>	<u>As of June 30</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Plus Column					
<u>Subtotal</u>	<u>\$6,649,983</u>	<u>\$7,288,196</u>	<u>\$7,441,002</u>	<u>\$7,708,080</u>	<u>\$7,583,568</u>
Minus Column					
Debt to CMEEC	\$5,141,043	\$4,952,012	\$4,128,672	\$4,229,671	\$3,992,595
Catastrophic Reserve	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Capital Fund	\$2,057,248	\$2,057,248	\$2,057,248	\$1,280,000	\$1,000,000
Deregulation Fund	\$250,000	\$250,000	\$250,000	\$0	\$0
Future Exp. Fund	\$154,000	\$154,000	\$154,000	\$0	\$0
Working Capital	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
<u>Subtotal</u>	<u>\$9,502,291</u>	<u>\$9,313,260</u>	<u>\$8,489,920</u>	<u>\$7,409,671</u>	<u>\$6,892,595</u>
<u>Available at END of fiscal year (June 30)</u>	<u>(\$2,852,308)</u>	<u>(\$2,025,064)</u>	<u>(\$1,048,918)</u>	<u>\$298,409</u>	<u>\$690,973</u>

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Notes to Funds Availability



- ❑ **Capital reserve is historically low, however this makes sense because during the past year approximately \$1.5 million was spent on the Distributed Grid Protection Project. To enable the project, the Commission unencumbered funds.**



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Q&A